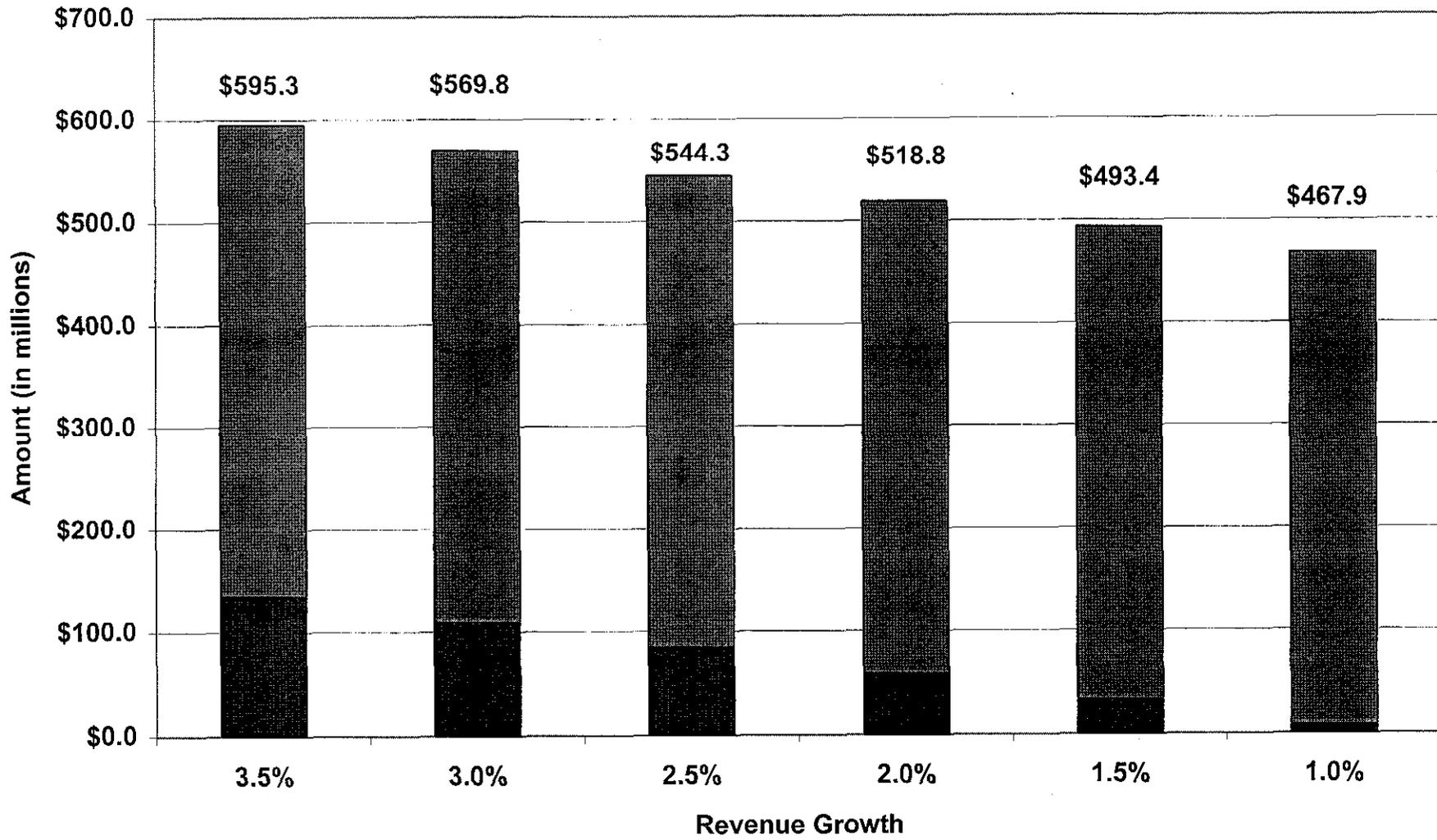


FY 2001 Ending Balance (General Fund and Reserve Funds)



STATE OF IOWA GENERAL FUND BALANCE

(Dollars in Millions)

	Fiscal Year 2001		Fiscal Year 2002	
	Governor's Recomm.	1.0% Growth	Governor's Recomm.	Adjusted (Smaller Base)
Estimated Funds Available:				
Estimated Receipts				
Revenue Est. Conference	\$ 5,275.3	\$ 5,147.8	\$ 5,505.5	\$ 5,374.3
Excess from Economic Emergency Fur	149.6	149.6	71.8	30.0
Revenue Adjustments (Exh. 1)	1.0		101.1	101.1
Transfers:				
Regular	102.3	102.3	37.7	37.7
Additional (Exh. 1)			- 31.6	- 31.6
Total Receipts	5,528.2	5,399.7	5,684.5	5,511.5
Tax Refunds	- 532.5	- 532.5	- 555.0	- 555.0
Accruals	12.2	12.2	17.0	17.0
Total Funds Available	5,007.9	4,879.4	5,146.5	4,973.5

Expenditure Limitation

\$ 5,094.9 \$ 4,923.7

Estimated Appropriations:

General Fund	4,882.4	4,882.4	4,915.5	4,915.5
Deappropriation		- 40.0		- 40.0
Supplemental Approp. - Teacher Pay	42.0			
Teacher Pay				40.0
School Aid			59.0	59.0
Class Size Reduction			10.0	10.0
Medicaid			35.3	35.3
Collective Bargaining				90.0 **
Reversions:				
Regular	- 10.0	- 10.0	- 12.5	- 5.0
Operations			- 2.5	- 1.0
Standing Appropriations Closing Entries			- 2.0	- 1.0
Net Appropriations	4,914.4	4,832.4	5,002.8	5,102.8

**Ending Balance prior to
Cash Reserve Transfer**

\$ 93.5 \$ 47.0 \$ 143.7 \$ - 129.3

Amount Over Expenditure Limit:

-\$179.1

** Collective bargaining costs are estimated at levels mentioned in print by Republican legislat

STATE OF IOWA GENERAL FUND BALANCE

(Dollars in Millions)

	Fiscal Year 2001		Fiscal Year 2002	
	Governor's Recomm.	1.5% Growth	Governor's Recomm.	Millage Updated
Estimated Funds Available:				
Estimated Receipts				
Revenue Est. Conference	\$ 5,275.3	\$ 5,173.3	\$ 5,505.5	\$ 5,400.9
Excess from Economic Emergency Fur	149.6	149.6	71.8	55.5
Revenue Adjustments (Exh. 1)	1.0		101.1	20.1
Utility Tax Cut (HF 1)		- 10.0		- 7.6
Transfers:				
Regular	102.3	102.3	37.7	37.7
Additional (Exh 1)			- 31.6	
Total Receipts	5,528.2	5,415.2	5,684.5	5,506.6
Tax Refunds	- 532.5	- 532.5	- 555.0	- 555.0
Accruals	12.2	12.2	17.0	17.0
Total Funds Available	5,007.9	4,894.9	5,146.5	4,968.6
			\$ 5,094.9	\$ 4,918.9
Expenditure Limitation				
Estimated Appropriations:				
General Fund	4,882.4	4,882.4	4,915.5	4,882.4
Supplemental Approp. - Teacher Pay	42.0			
Deappropriation		-40		-40.0
Teacher Pay				40.0
School Aid			59.0	59.0
Class Size Reduction			10.0	10.0
Medicaid			35.3	40.0
All Other Gov's Rec's				28.4
411 Retirement				2.9
Hospital Reimbursements				8.3
Salary Adjustment				90.0
Additional Reductions				- 27.1
Reversions:				
Regular	- 10.0	- 10.0	- 12.5	
Operations			- 2.5	
Standing Appropriations Closing Entries			- 2.0	
Net Appropriations	4,914.4	4,832.4	5,002.8	5,093.9
Ending Balance prior to Cash Reserve Transfer	\$ 93.5	\$ 62.5	\$ 143.7	\$ - 125.3
Amount over Expenditure Limitation:				-175.0

DEPARTMENT OF COMMERCE

Requests have been received for information concerning the probable impact of a 5% across the board cut in the FY 01 appropriation on the operations of each division of the Department of Commerce and of the further impact of a \$1,031,337 cut in the amount appropriated for the payroll costs of all divisions. Based on a total appropriation for all divisions of \$25,422,000, the cuts under consideration would amount to \$2,302,000 of which \$2,026,000 would be applicable to payroll costs. Each division has been asked to respond independently as to the feasibility of such cuts and, if made, the effect of such cuts on the operation of each division.

The responsibilities of the six primary divisions of the Department of Commerce are regulatory in nature and conferred on them by Iowa law. Consistent with regulatory responsibilities, the aggregate budget for all divisions of the Department of Commerce consists 82% of payroll and travel costs, 9.4% of largely fixed costs for such items as rent, telephone, supplies, printing and data processing, 2.6% of payments to other agencies of state government and 6% of payments for outside services. This would seem to indicate that substantially all of any cuts would need to be made in payroll costs.

By statute, the Banking, Credit Union, Insurance and Utilities divisions collect fees from the organizations regulated equal to the costs of operation of the divisions. Essentially the same funding arrangement exists for the Alcoholic Beverages and Professional Licensing divisions. Generally, any reductions in the expenditures of these divisions would also result in reductions in like amounts in receipts and in no gain to the General Fund. The Administrative Services Division performs certain basic services for the six primary divisions which reimburse the Administrative Services Division for its operating costs.

Essentially only four months remain in FY 01. Assuming that actual expenditures through February amount to approximately two-thirds of the total budget, cuts amounting to \$2,302,000 would need to be found in \$8,474,000 of unexpended FY 01 appropriated funds with \$2,026,000 of such cuts to be found in \$6,630,000 of payroll costs. Such cuts would amount to a 30% reduction in payroll costs and a 15% reduction in all other costs over the remaining four months of the fiscal year.

To the extent that payroll costs through February may be less than two-thirds of the amount appropriated for that purpose for the full fiscal year, consideration should be given to the practice in state government to budget for contingencies with appropriated for but unfilled full-time equivalent positions. Consideration should be given also to the fact that the information prepared for the subcommittee by other agencies may not be consistent with the actual or projected internal numbers generated by the applicable Commerce Department division due to timing differences. For example, with reference to the assumption that payroll costs for all divisions of the Department of Commerce may be as much as \$1,031,337 under budget, it should be kept in mind that information

provided to the subcommittee may not include the effect of the following on payroll costs during the second half of the fiscal year:

1. Step and merit increases granted and effective variously during the second half of the year.
2. The 22% increase in health care costs effective January 1.
3. The addition of a step to the compensation of contract covered employees effective January 1 and pay increases given accordingly to other employees at the top of their pay ranges.
4. The addition of two pay grades to the Information Technology series of pay classes effective January 1.
5. Apparently, any position that was vacant at the time the information was prepared was assumed to be vacant for the remainder of the fiscal year.

In view of the fact that only four months remain in the current fiscal year, it would seem that such actual savings as might be achieved in FY 01 through a layoff of employees would be relatively small after giving such notices as may be required and payment of accrued vacation and such other obligations as may be due to the employees involved. Clearly, the savings in FY 01 would be small in relation to the number of layoffs that would be necessary to effect the savings. It would seem further that the number of layoffs that would be required at this point in the fiscal year would be too large to be relied on as continuing through FY 02 without resulting in a curtailment of services.

Due to the fact that the Department of Commerce has operated under essentially status quo budgets since the 1980s, it is not believed that any measurable reduction can be made in the expenditures of the seven divisions of the department without resulting in a significant reduction in or discontinuation of services constituting a matter necessarily requiring prior changes in the laws of Iowa setting forth the legal responsibilities of those divisions.